



F I R S T B R O T H E R S

**Q1 FY11/24
Financial Earnings Summary**

April 9, 2024

First Brothers Co., Ltd.

(Tokyo Stock Exchange Standard Market: 3454)

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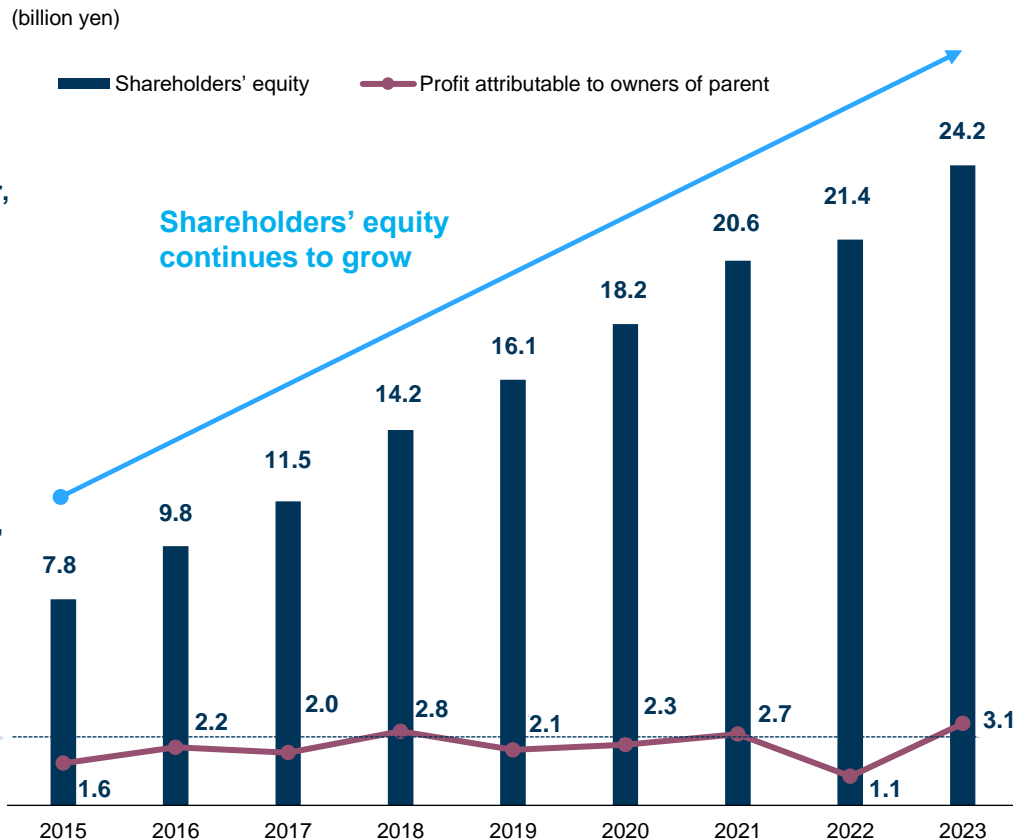
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We believe stable and sustainable growth of shareholders' equity will directly lead to maximization of shareholder value

- We intend to increase shareholders' equity every year, and commensurate with this growth, pay year-end dividends based on a target dividend on equity ratio (DOE) of 2.0%
- Profit tends to fluctuate sharply from year to year due to our policy of maximizing profit by selling highly individualized properties at optimal timing. However, when performance is strong, we intend to pay interim dividends in addition to the usual year-end dividends, flexibly returning profits to shareholders.

If profit attributable to owners of parent exceeds 2.0 billion yen in the immediately preceding fiscal year
Pay interim dividends equivalent to 40% of the profit in excess
 (implemented in FY11/24)



- Lease income from properties held by the Group steadily increased in the Investment Banking business
- Bottom-line profit declined YoY, due to the recording of gain on sale of shares of subsidiaries and associates (extraordinary income) in Q1 FY11/23

Consolidated results

<p>Gross profit</p> <p>830 million yen</p> <p>+26.2% YoY ↑</p>	<p>Operating profit</p> <p>240 million yen</p> <p>+1,899.0% YoY ↑</p>	<p>Ordinary profit</p> <p>129 million yen</p> <p>Turned a profit ↑ from a year-ago loss</p>	<p>Profit attributable to owners of parent</p> <p>63 million yen</p> <p>-82.8% YoY ↓</p>
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Investment Management

Sales declined due to the transfer of CRE business
Booked sales commissions in Q1 FY11/23

Gross profit

9 million yen

-78.7% YoY ↓

Investment Banking

Lease income from properties held by the Group, a stable earnings source, increased
Unrealized gain, a future earnings source, also grew firmly

Unrealized gains in real estate

17,343 million yen

+163 million yen
versus end-FY11/23 ↑

Gross profit from real estate leasing

756 million yen

+24.7% YoY ↑

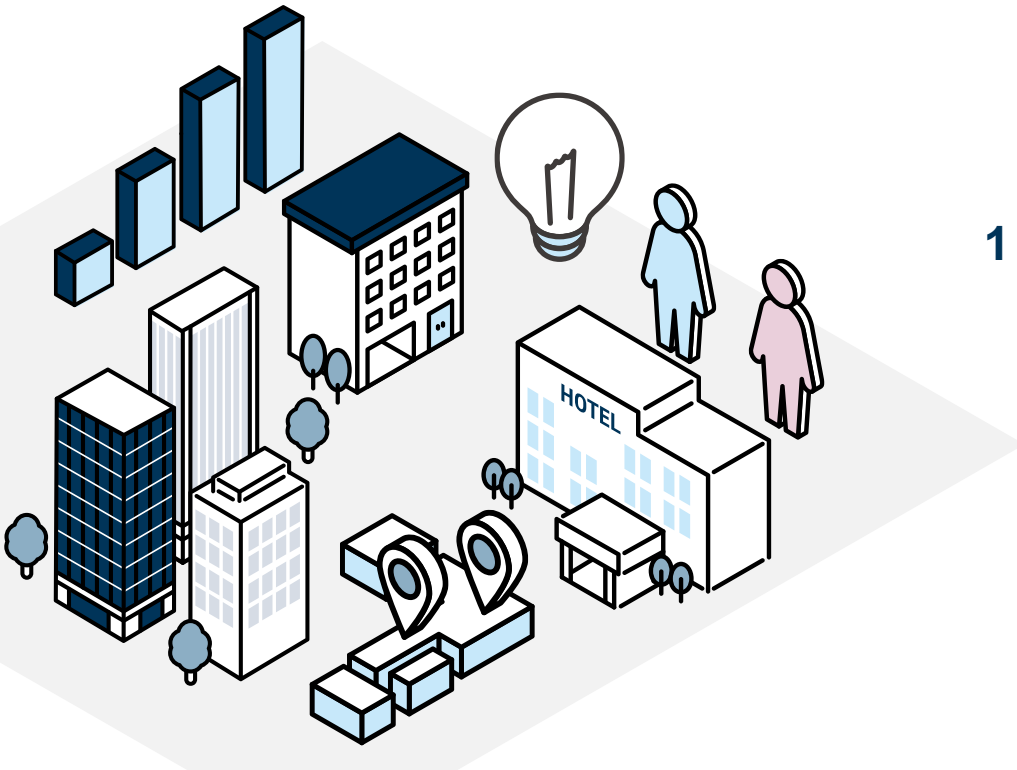
Facility Operation

Captured robust tourism demand
Improved operational efficiency also contributed to results

Gross profit

81 million yen

+476.7% YoY ↑



1 — First Brothers' business

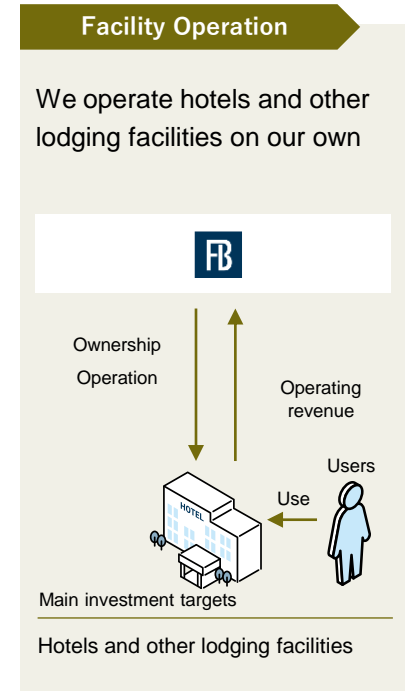
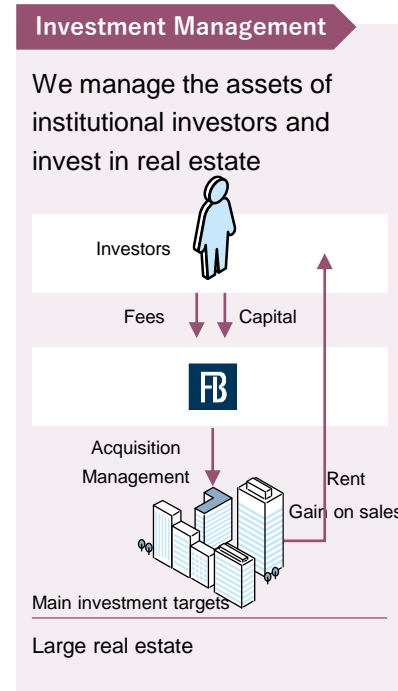
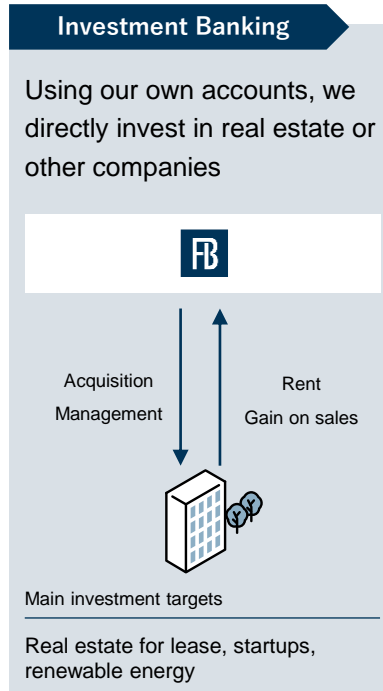
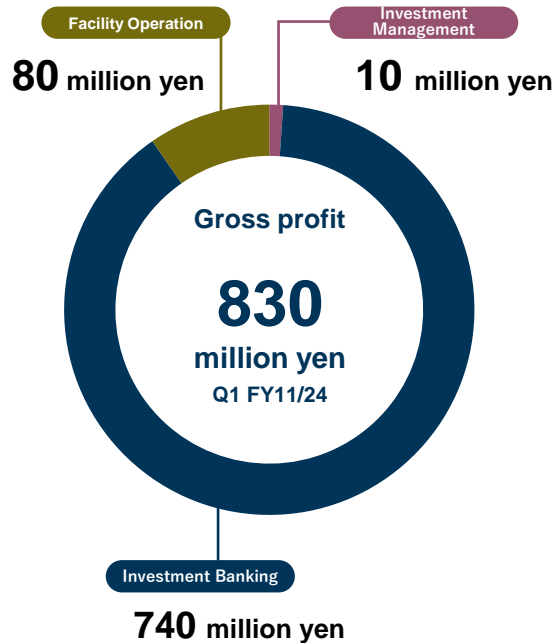
Be leading professionals

We are a group of professionals aiming to reach the top,
driven by the principle of “client-first” approach



Leveraging our strengths, we operate three businesses centered on real estate investment

The Investment Banking business, a principal investment business, has grown to be an earnings pillar



Utilizing our investment track records amounting to over 1 trillion yen since founding,
we realize high-value-added investment

Ability to discover properties



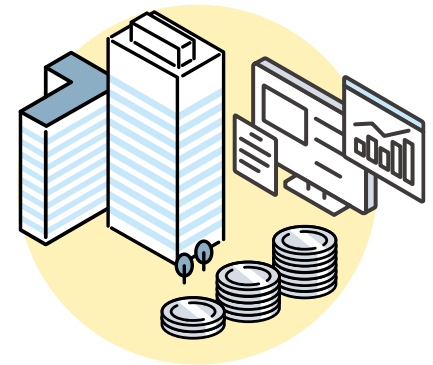
Utilizing our know-hows and experience, carefully select properties with high earnings potential

Ability to increase value



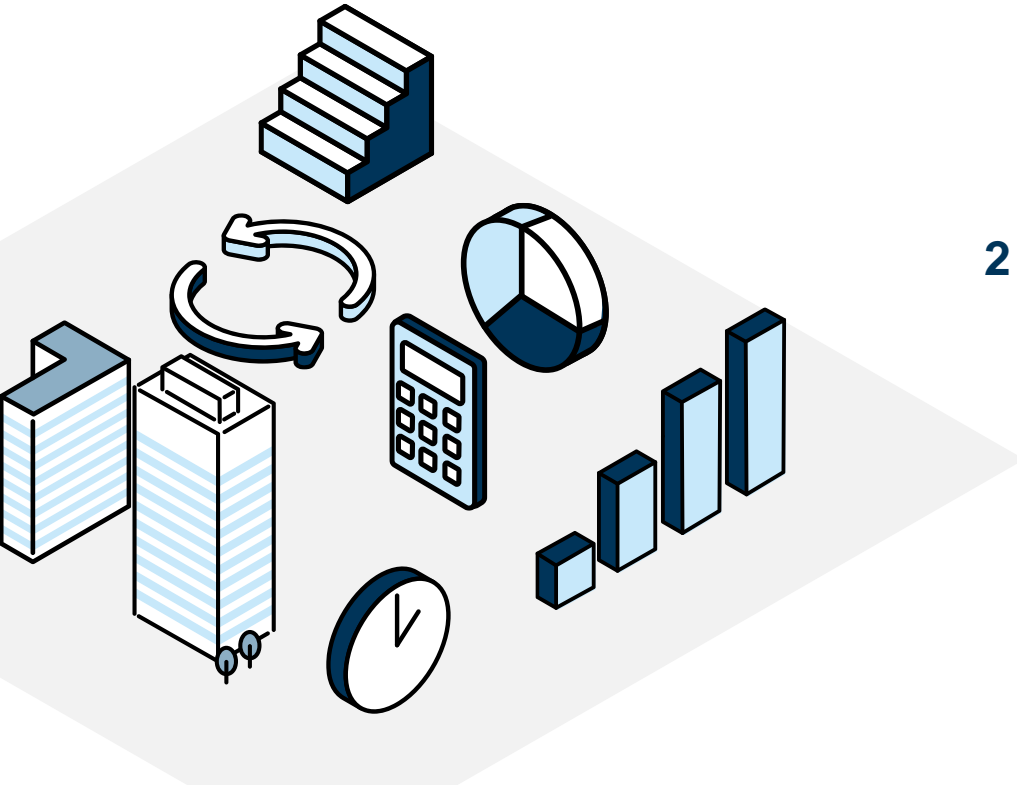
Increase the value of properties by attracting quality tenants or improving facilities and operations

Ability to identify potential demand



Backed by our trustworthiness in the real estate industry, sell properties at their highest possible value

Reinvest gain on sales
to create a virtuous cycle of growth



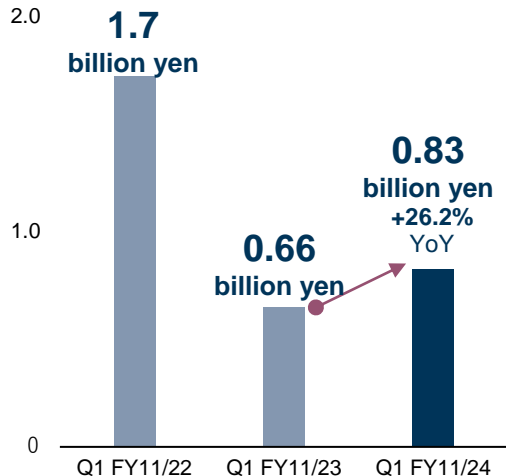
2 — Earnings highlights

In Q1 FY11/24, while we sold no properties in the Investment Banking business, lease income, a stable earnings source, increased
 Gross profit rose 26.2% YoY, thanks in part to sales growth in the Facility Operation business, and ordinary profit turned black

Gross profit

Up 26.2% YoY, due to growth in lease income, a stable earnings source, and higher sales in the Facility Operation business

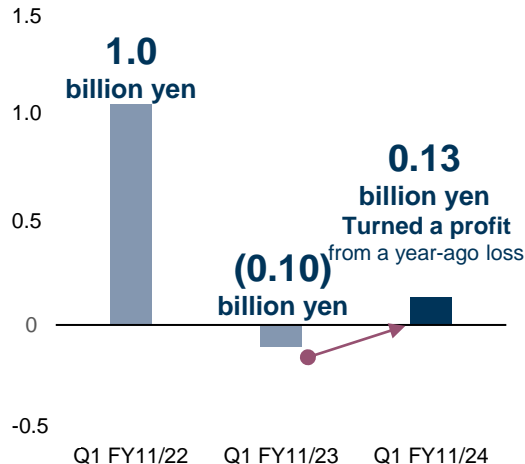
(billion yen)



Ordinary profit

Turned black from a loss in Q1 FY11/23, thanks to the increase in gross profit from real estate leasing

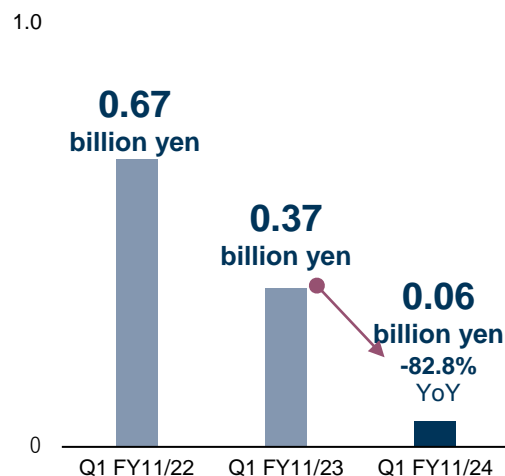
(billion yen)

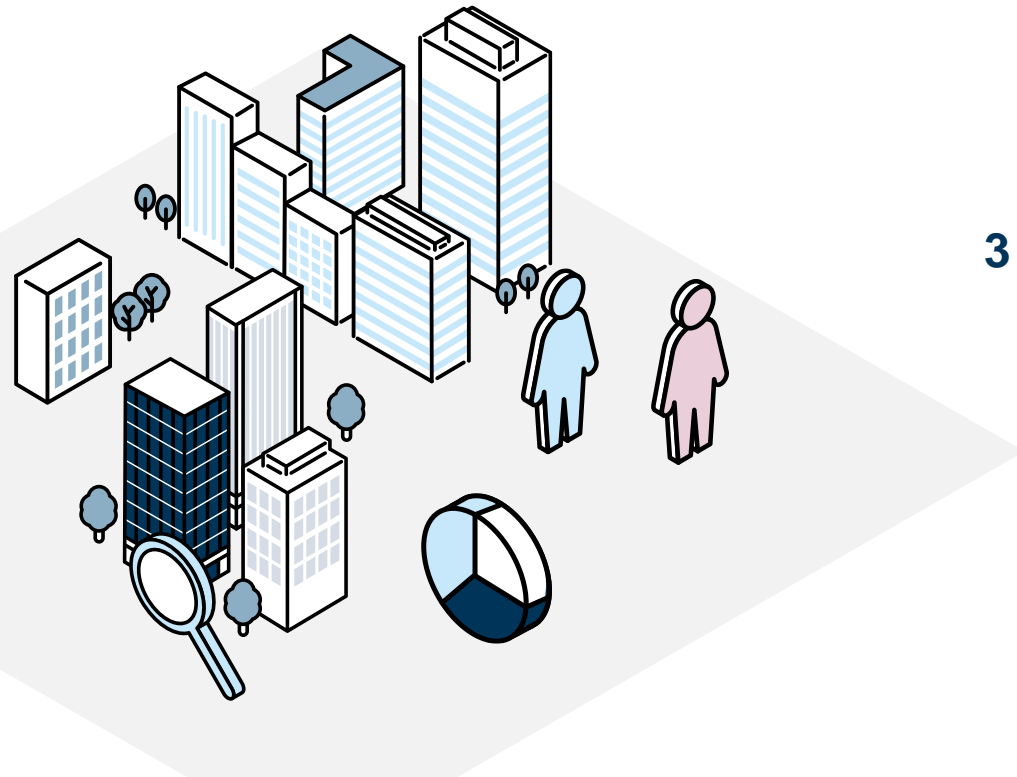


Profit attributable to owners of parent

Down YoY, due to the recording of gain on sale of an affiliate company (extraordinary income) in Q1 FY11/23

(billion yen)





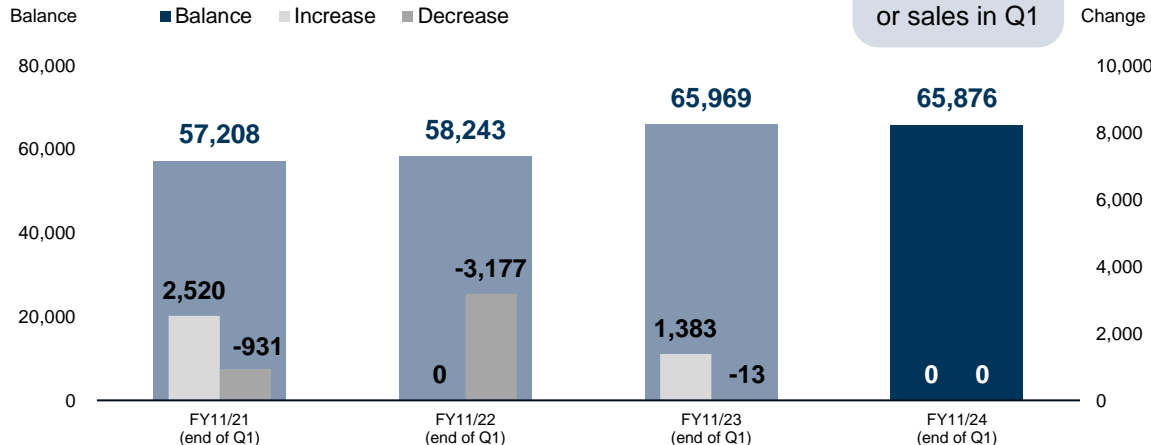
3 — Investment Banking business

We work to acquire properties for lease expected to generate stable earnings in the medium to long term as a core component of earnings

Despite some fluctuations, the balance and number of properties for lease steadily increased

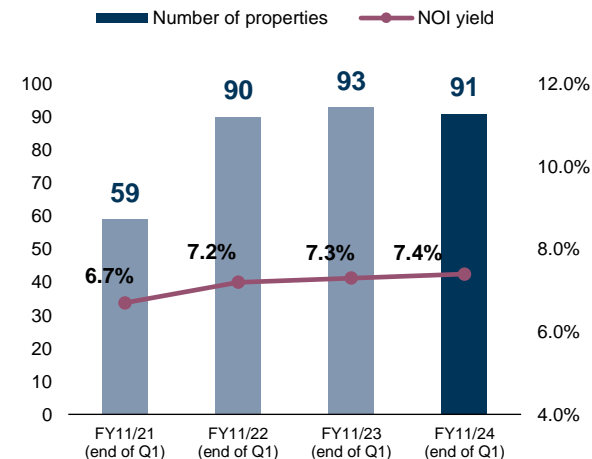
Balance of properties for lease

(million yen)



Note: Balance and increase/decrease values are based on acquisition price. Increase values include increases from M&A and from completion of development projects.

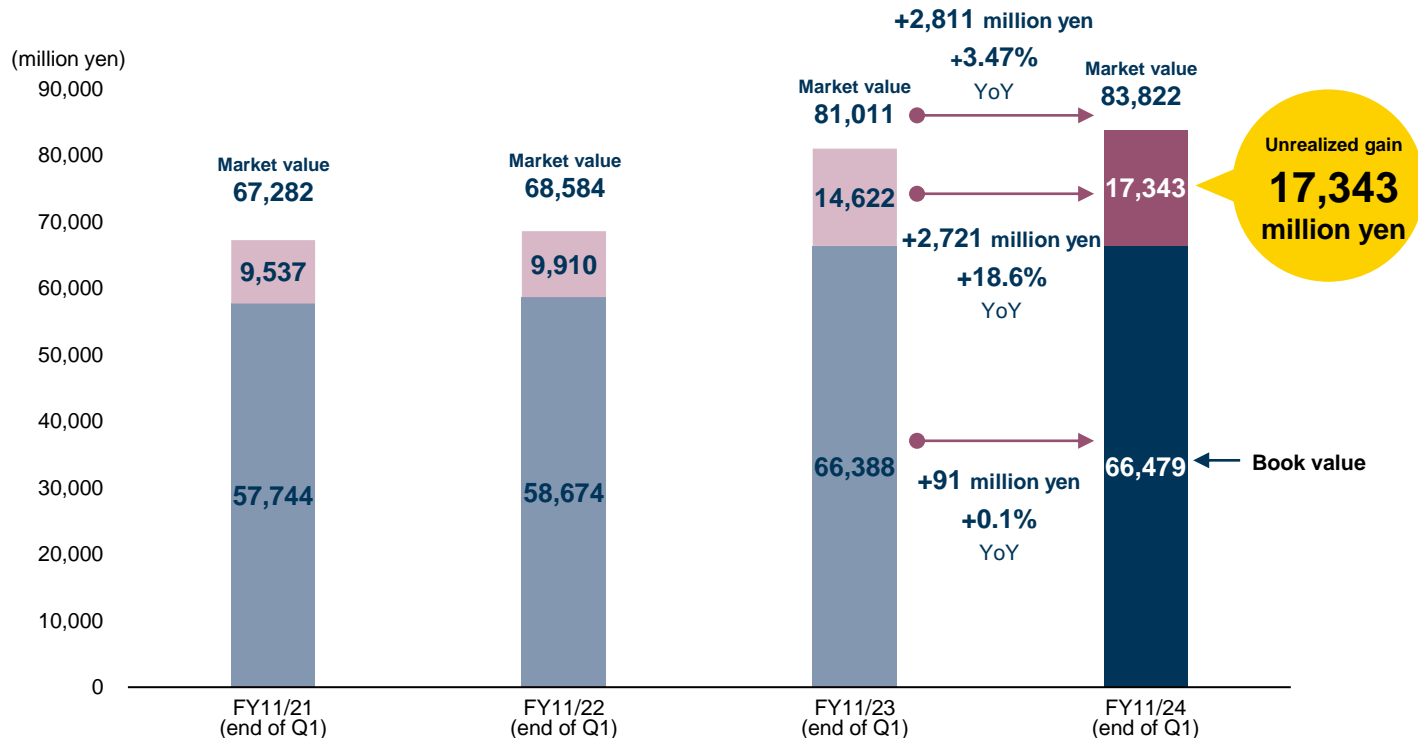
No. of properties/NOI yield



Note: NOI yield is the assumed APR for stable operation (cash flow-based net income / acquisition price)

Unrealized gains grew, due to the acquisition of prime properties for lease in FY11/23 and value enhancement of properties held

Unrealized gains materialize at the time of sales and contribute to future profit while also serving as a source of reinvestment



Book value

- + Acquisition price
- + Transaction cost at the time of acquisition
- + Capital expenditures during the period
- Depreciation

Market value and unrealized gain

Market value:
Most recent appraised value (or an equivalent value)

Unrealized gain:
Market value – book value

Items recorded

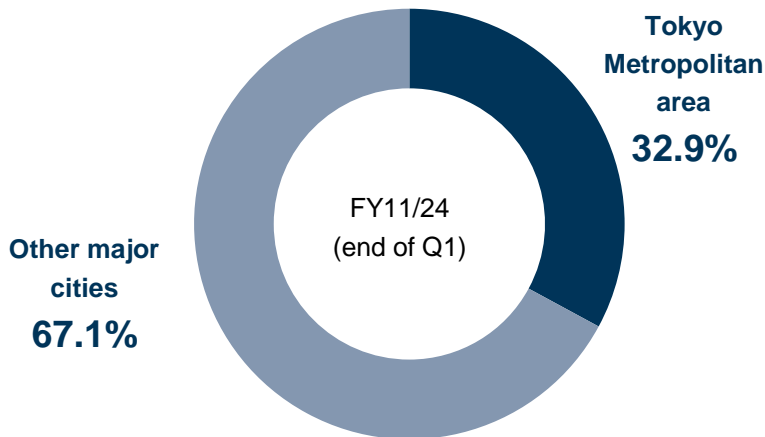
<In principle>
Real estate for sale (current assets)
<Properties with high yield>
Recorded as non-current assets, as we intend to generate lease income from these properties over the long term

With small and medium-sized properties in the Tokyo Metropolitan area and regional cities as investment targets, we ensure stable operations while securing high yields

We expand and flexibly rotate the portfolio in response to changes in the market environment

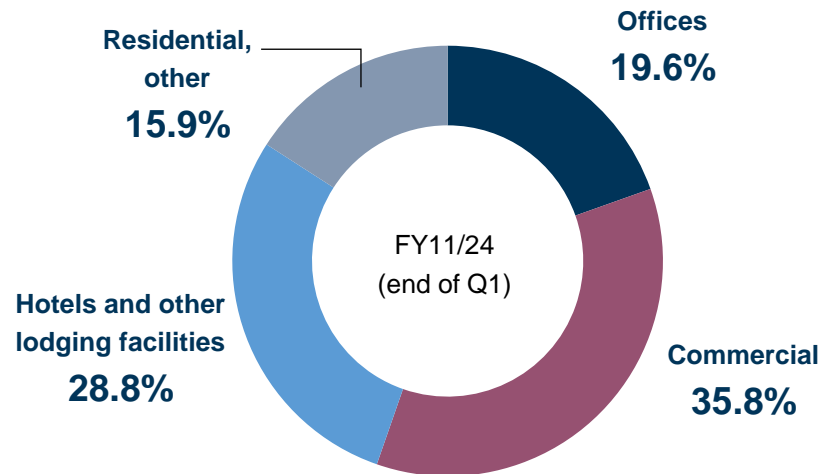
By location

Carefully select prime investment properties in the Tohoku region, the base for Higashinihon Fudosan, and other regions throughout the nation, in addition to the Tokyo Metropolitan area



By use*

Acquired hotels and other lodging facilities during the COVID-19 pandemic, in addition to office buildings and commercial facilities in locations with solid tenant demand



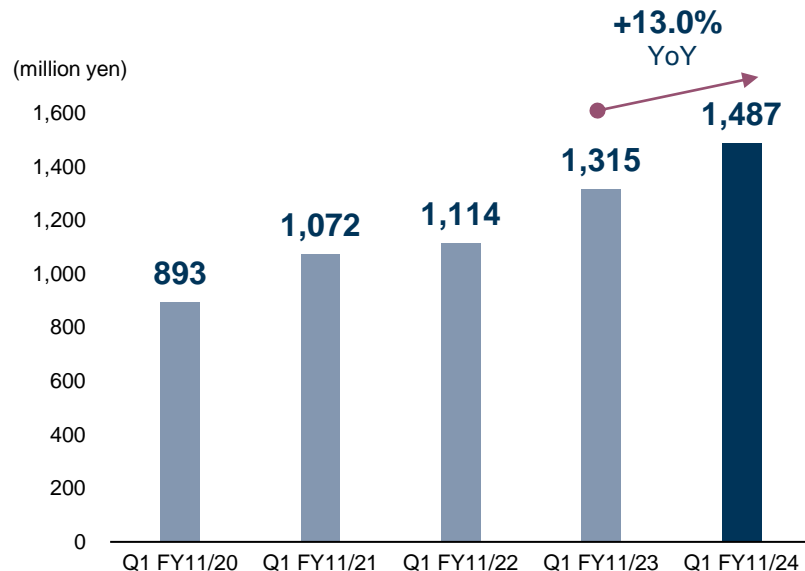
* Mixed-use properties are calculated based on primary usage.

We secure stable earnings by selectively acquiring quality properties for lease expected to generate stable lease income and enhancing the value of properties held

In Q1, while we acquired no new properties, lease income rose steadily as we verified and implemented earnings improvement measures for each property

Revenue from real estate leasing (cumulative)

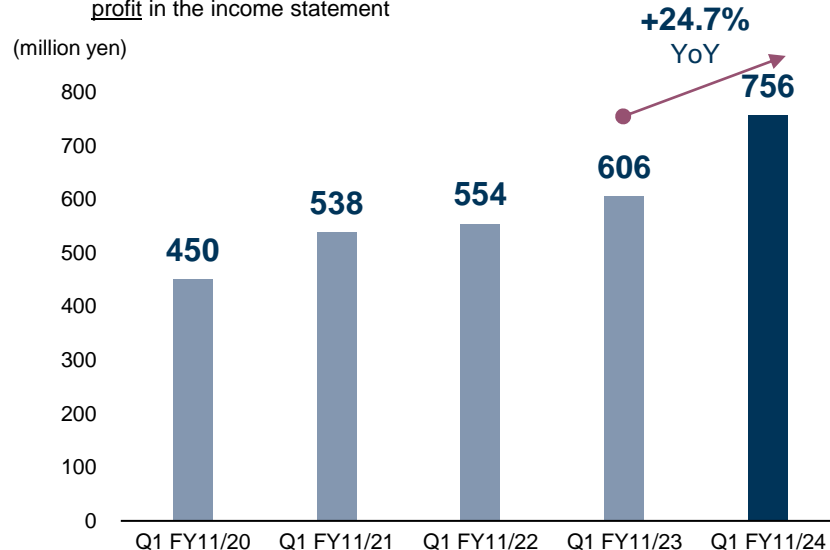
Steadily increased YoY due to the accumulation of prime properties for lease in FY11/23 and no property sales in Q1 FY11/24



Gross profit from real estate leasing (cumulative)

Gross profit from leasing increased in Q1, in tandem with the growth in revenue from leasing

Note: From FY11/24, we have disclosed gross profit from leasing as actual gross profit in the income statement

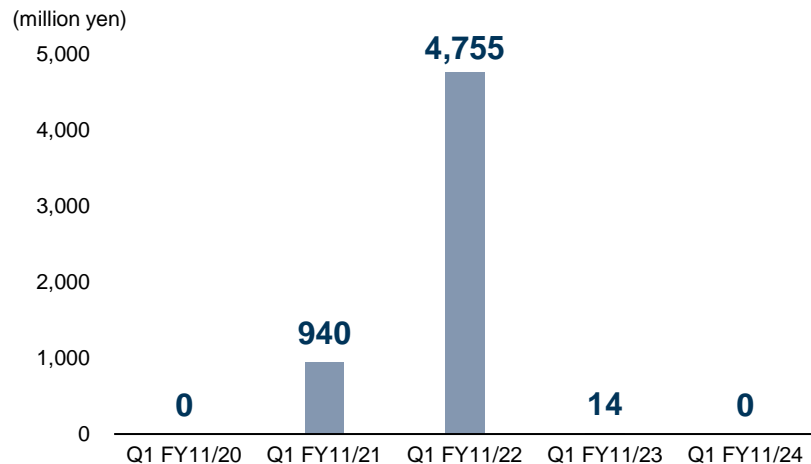


A virtuous cycle in which we enhance the value (and accordingly earnings potential) of properties held while selling the properties to realize the unrealized gain obtained through value enhancement and allocating the gain to reinvestment

While we expect to sell properties in FY11/24, most of the sales will take place in Q2 or later

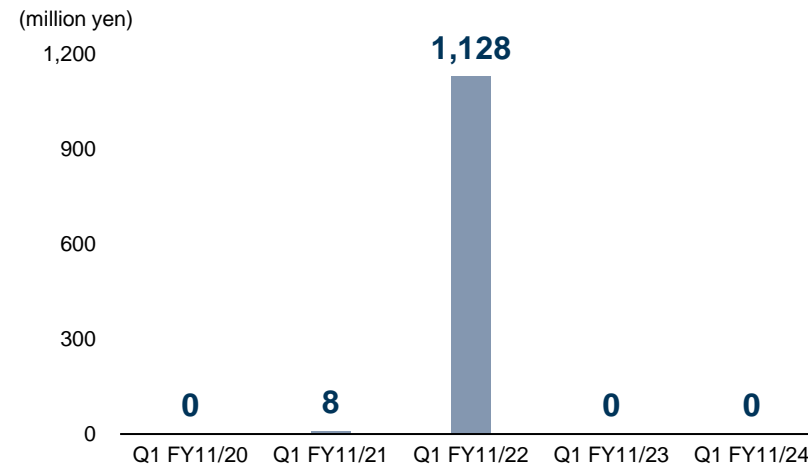
Revenue from real estate sales (cumulative) ^{*1*2}

No property sales in Q1
Considering to sell properties in Q2 or later, taking into account market needs



Gross profit from real estate sales (cumulative) ^{*1*2}

No significant change YoY, because properties sold in Q1 FY11/23 were small in scale

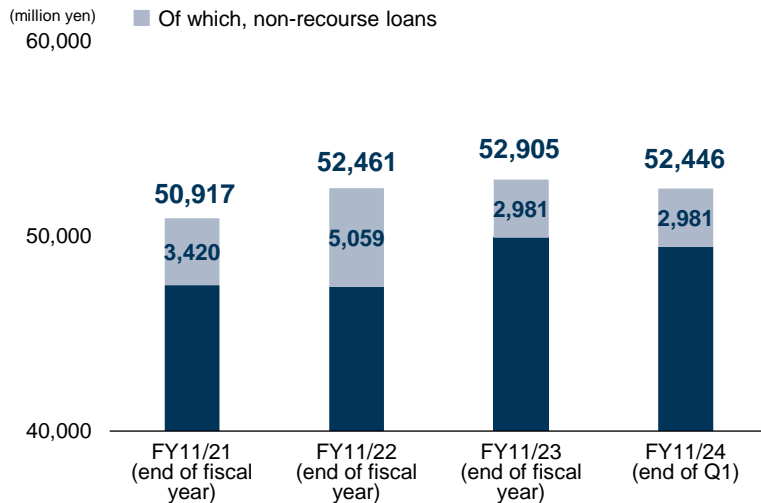


*1 Includes sales of real estate for sale in process (including land for development of properties for lease)

*2 Includes sales of real estate for lease recorded as non-current assets in the consolidated balance sheet (recorded as extraordinary income/losses)

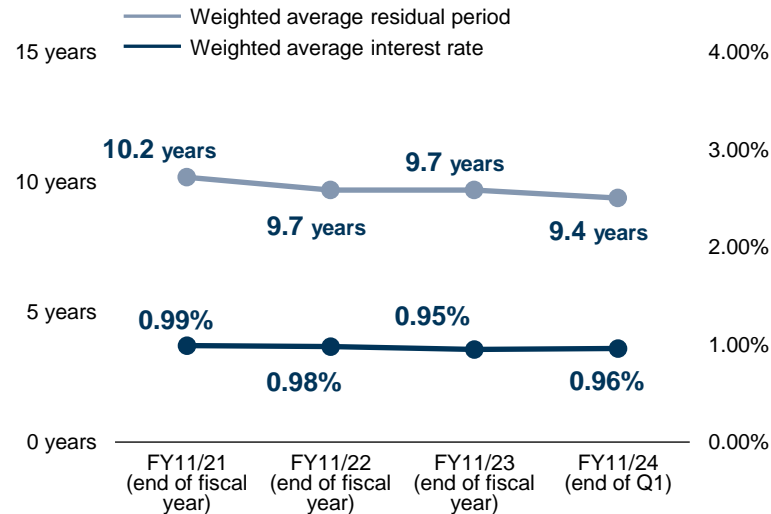
Our loan balance tends to increase as investment progresses, as we fund lease property acquisitions with loans
 In principle, we take out ultra long-term loans of over 10 years with low interest rates, and prepare for refinancing and interest rate hike risks

Loan balance *1



*1 Loans to fund acquisitions of properties for lease

Weighted average residual period/ Weighted average interest rate*2

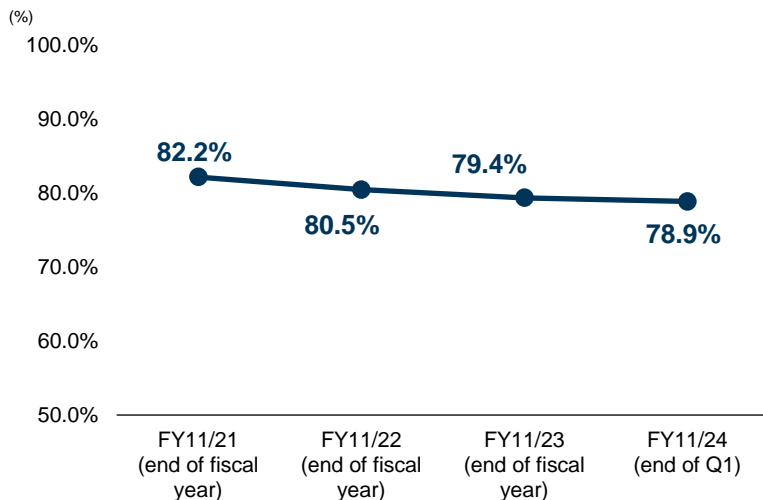


*2 Before fixing interest rates

Leverage hovers around 80%, as we utilize loans with low procurement costs as much as possible to increase capital efficiency

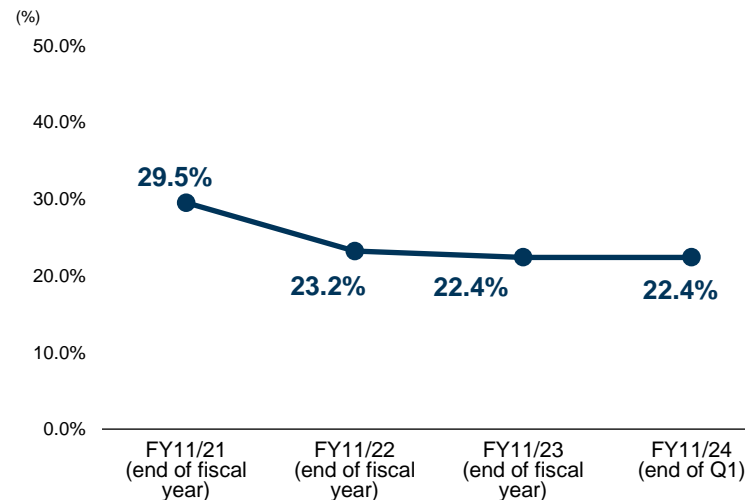
Most loans have floating interest rates, and so using interest rate swaps, we exchange some floating rates with fixed rates

Leverage*1



*1 Loan balance / Book value of properties for lease

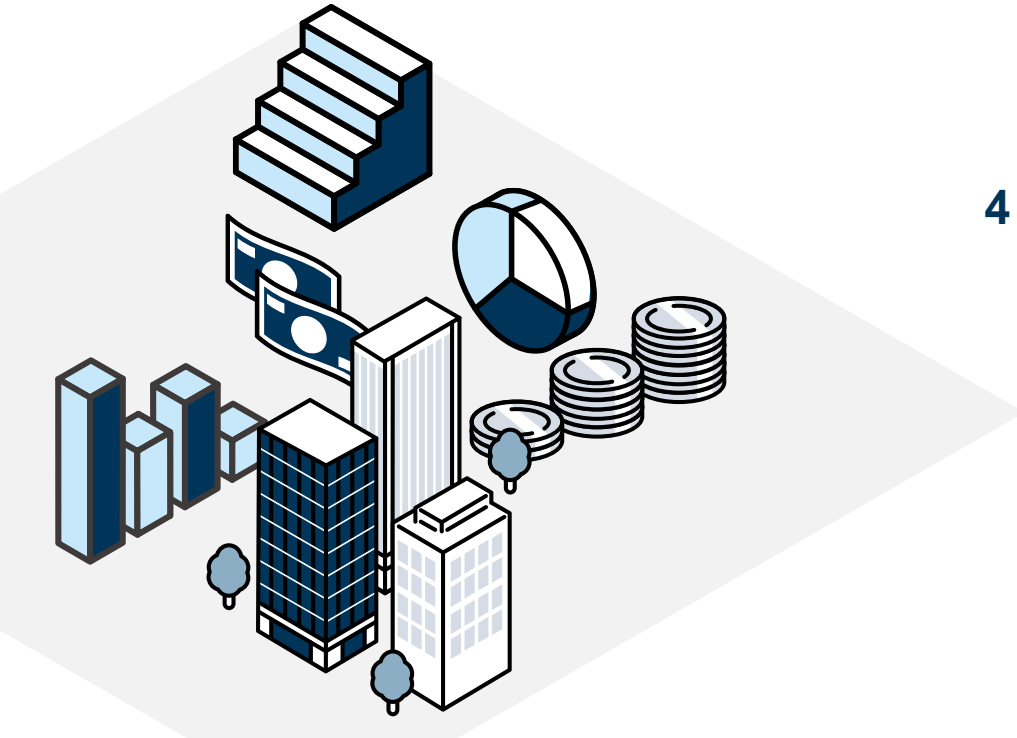
% of loans with fixed interest rates



Interest rate swaps

We exchange floating interest rates with fixed rates to avert the risk of interest rate hikes.

While market value fluctuates in line with changes in the market interest rate and affects non-operating income/expenses, interest rate swaps contribute to stabilizing cash flows.



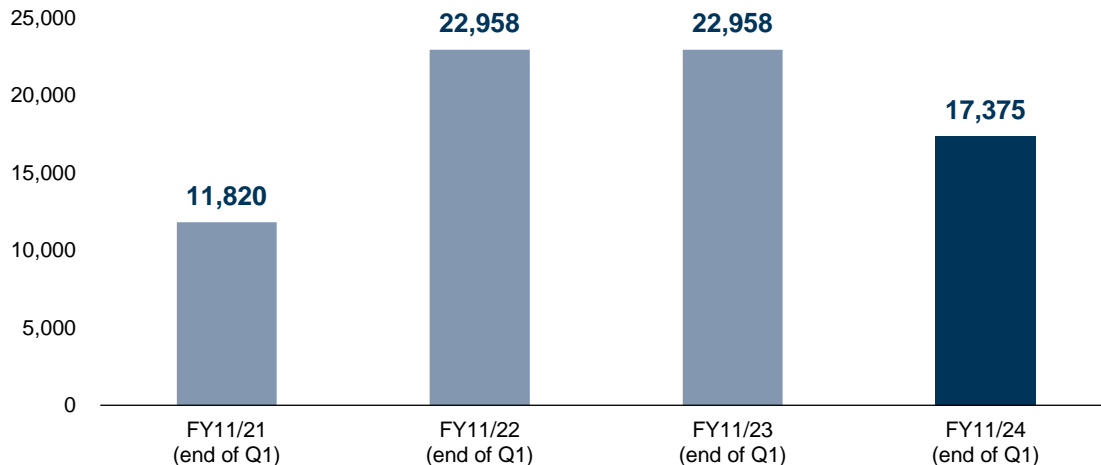
4 — Investment Management business

Competition surrounding large properties, the investment targets of funds arranged by the Group, is fierce, with their prices continuing to rise. Taking a cautious stance, we acquired no new properties.

Meanwhile, we won management contracts for properties acquired by investors, primarily, as appropriate, and earned asset management fees.

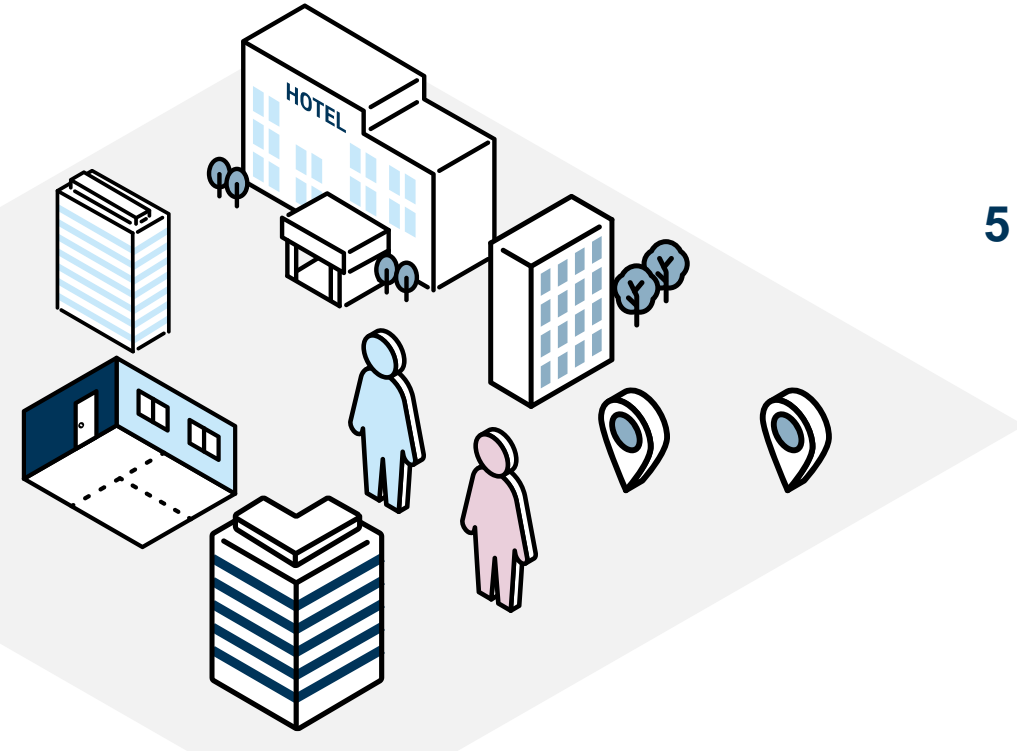
Balance of assets under management

(million yen)



Key takeaways

- The decline in balance was due to portfolio rotation by investors
- We will continue to consider new property acquisitions in response to requests from investors
- We are also considering to form a new fund with properties held by the Group as investment targets

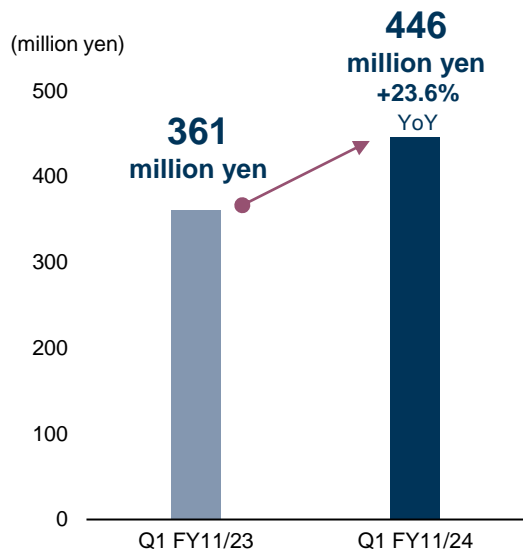


5 — Facility Operation business

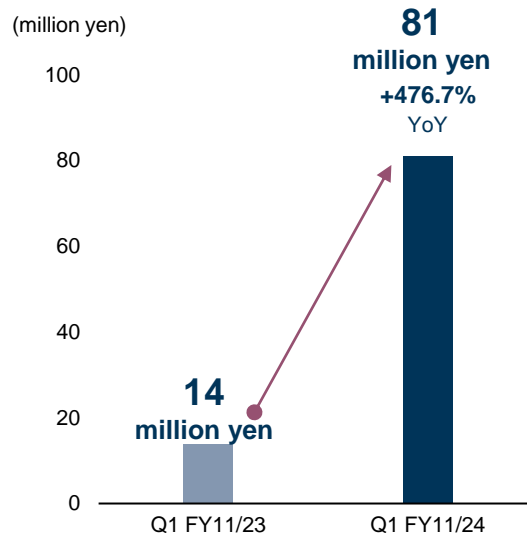
Sales were up sharply YoY, owing to the success of measures to capture robust tourism demand, including inbound demand, at facilities under operation

Weighed down by the burden of goodwill amortization, the business has yet to turn a profit at the operating profit level

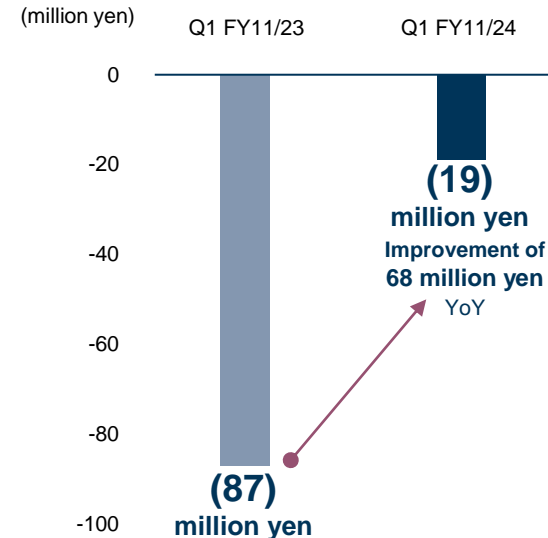
Sales



Gross profit

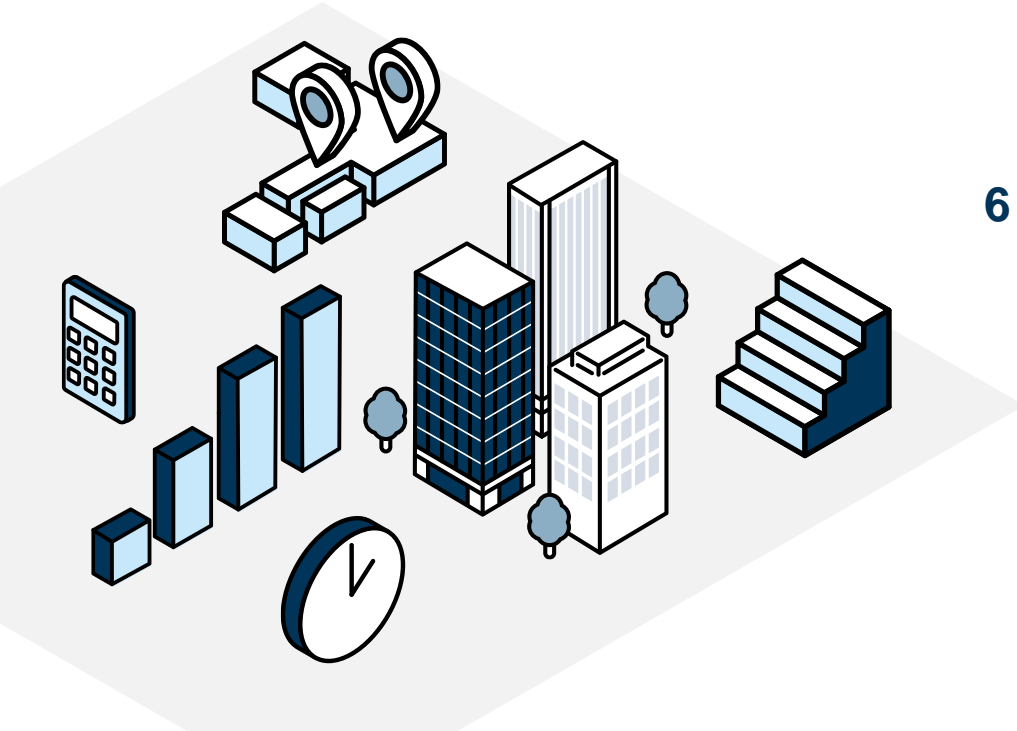


Operating profit



Facility Operation

In this business, we operate hotels and other lodging facilities on our own. Currently, we own all facilities under operation.

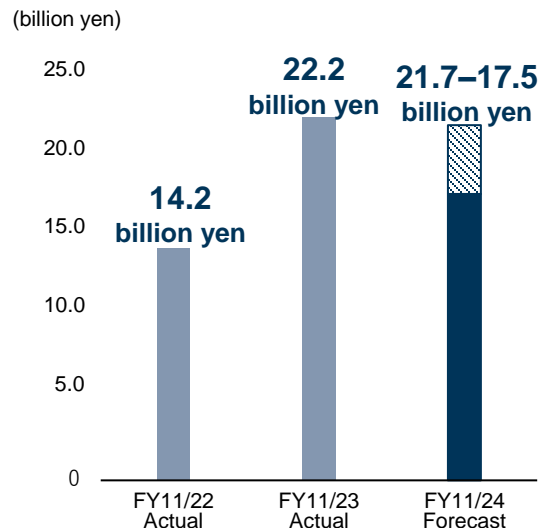


6 — Earnings forecast

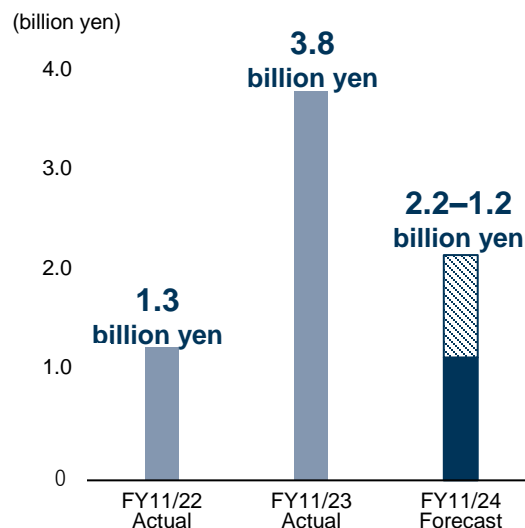
While we expect sales and profits to decline for the fiscal year, we will continue working to acquire prime properties for lease and in the Facility Operation business, develop attractive facilities and provide services tailored to customers' needs, with the aim of achieving medium- to long-term growth

- Our strategy is to sell properties at the most optimal timing, and in this fiscal year, we expect to sell only a modest number of properties. For this reason, we expect each profit category to decline.
- We intend to expand unrealized gains for our property portfolio overall, by increasing unrealized gains for each property for lease and acquiring new properties, and aim to maximize shareholders' equity in the medium to long term. While we hold these properties, we intend to maintain profit by continuing to earn lease income.

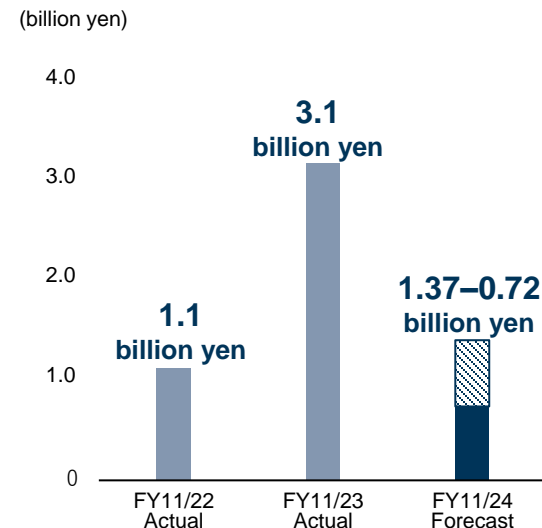
Net sales



Ordinary profit












Profit attributable to owners of parent



Progress for gross profit was 17.5%, because we sold no properties in the mainstay Investment Banking business

From Q2 onward, we expect property sales and growth in lease income backed by new property acquisitions

(million yen)	FY11/23 Actual	Q1 FY11/24 Actual	Progress rate	FY11/24 Forecast (YoY change)
Net sales	22,268	1,955	 11.1%	17,500 (-21.4%)
Gross profit	6,980	830	 17.5%	4,750 (-32.0%)
Investment Management business	115	9	 25.0%	38 (-67.0%)
Investment Banking business	6,698	739	 16.9%	4,388 (-34.5%)
Facility Operation business	157	81	 25.3%	324 (+105.9%)
Other	9	0	 0%	0 (-%)
Operating profit	4,461	240	 11.5%	2,100 (-52.9%)
Ordinary profit	3,837	129	 10.8%	1,200 (-68.7%)
Profit attributable to owners of parent	3,186	63	 8.8%	720 (-77.4%)

Key takeaway 1

Prioritize gross profit growth because net sales fluctuate sharply depending on the size of properties sold

Key takeaway 2

Property sales (or the lack thereof) significantly affect each profit category

Key takeaway 3

Forecasts are prepared and managed on an annual basis, as quarterly results largely fluctuate depending on the timing of property sales



7 — Shareholder returns

We consider returning profits to shareholders a management priority

- We pay stable dividends, primarily in the form of year-end dividends, once a year, based on a target dividend on equity ratio (DOE) of 2.0%, instead of a profit-linked payout ratio
- If profit attributable to owners of parent in the immediately preceding fiscal year exceeds 2.0 billion yen, we pay interim dividends equivalent to 40% of the profit in excess (implemented in FY11/24)

Dividend per share

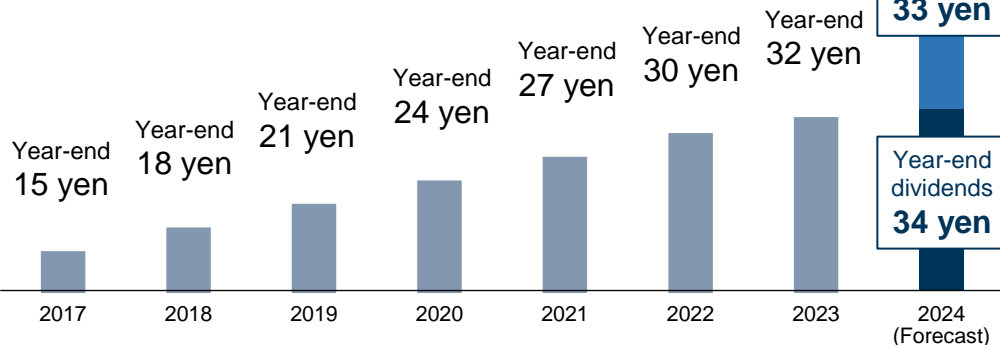
(Yen)
70

**Dividends based on a benchmark
dividend on equity ratio (DOE) of 2.0%**

50

30

10



Performance-linked interim dividend

If profit attributable to owners of parent exceeds 2.0 billion yen in the immediately preceding fiscal year, we return 40% of the profit in excess as interim dividends

Profit attributable to owners of parent in FY11/23 3,186 million yen
Profit exceeding 2.0 billion yen 1,186 million yen
40% of profit in excess 474 million yen 33 yen per share (forecast)

We have introduced a shareholder benefit plan to thank our shareholders for their support, increase the appeal of investing in our stock, and encourage investors to hold our stock for the medium to long term

amazon gift card

Eligible shareholders

Shareholders who are recorded in the shareholder register as of November 30 of each year and meet certain conditions

Shareholder benefits

First Brothers Premium Benefits Club

The plan extends shareholder benefit points to shareholders commensurate with the quantity and duration of their holdings. Shareholders can exchange their points for Amazon gift certificates, food products, electrical appliances, and various opportunities for travel and personal experiences through a dedicated site

Shareholders with shares held continuously for at least one year*

No. of shares held	Benefits
At least 500 shares	5,000 points
At least 600 shares	6,000 points
At least 700 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	50,000 points

Shareholders with shares held for less than one year

No. of shares held	Benefits
At least 3,000 shares	5,000 points
At least 3,100 shares	6,000 points
At least 3,200 shares	7,000 points
to	Additional 1,000 points for each additional 100 shares
At least 5,000 shares	25,000 points



Notes: For inquiries regarding products for which benefit points can be redeemed, please contact First Brothers Premium Benefits Club (TEL: 0120-980-965). Amazon, Amazon.co.jp, and their logos are trademarks of Amazon.com, Inc. or affiliated companies.

* Recorded in the shareholder register at least three consecutive times under the same shareholder number each year on May 31 and November 30.



8 — Appendix

Consolidated balance sheet

	End FY11/22	End FY11/23	End Q1 FY11/24	Change
Total current assets	61,666	63,621	60,738	-2,882
Cash and deposits	7,306	7,531	4,739	-2,791
Deposits in trust	921	1,204	1,190	-14
Real estate for sale	46,956	50,184	50,092	-91
Real estate for sale in process	3,479	3,268	3,281	+12
Other	3,002	1,431	1,434	+2
Total non-current assets	25,977	26,319	26,257	-61
Total assets	87,643	89,940	86,996	-2,943
Total liabilities	65,997	65,512	62,948	-2,564
Total current liabilities	5,585	8,473	6,556	-1,880
Short-term borrowings	1,156	91	117	+26
Current portion of long-term borrowings	2,339	5,128	5,134	+5
Current portion of long-term non-recourse loans payable	119	23	31	+7
Other	1,969	3,194	1,273	-1,920
Total non-current liabilities	60,411	57,075	56,392	-683
Long-term borrowings	50,678	50,252	49,603	-649
Long-term non-recourse loans payable	4,940	2,958	2,950	-7
Other	4,793	3,864	3,838	-25
Total net assets	21,646	24,427	24,047	-379
Total shareholders' equity	21,469	24,235	23,850	-385
Other	176	192	197	+5
Total liabilities and net assets	87,643	89,940	86,996	-2,943
Net D/E ratio ^{*1}	2.14	1.93	2.05	+0.12pt

Comments

- In Q1, cash and deposits and shareholders' equity declined due to tax and dividend payments
- There was no significant change in real estate for sale and loan balance, as there were no property acquisitions or sales

Key takeaways

- Loan ratio tends to be high, because in principle, we fund our investments with loans. However, we primarily take out long-term loans and thoroughly manage the loan balance.

*1 Net D/E ratio = (Interest-bearing debt excluding non-recourse loans – [cash and deposits + deposits in trust]) / Shareholders' equity

Consolidated income statement

Consolidated income statement (summary)

	Q1 FY11/22	Q1 FY11/23	Q1 FY11/24	YoY change
Net sales	6,345	1,817	1,955	+7.6%
Gross profit	1,736	658	830	+26.2%
Selling, general and administrative expenses	607	646	590	-8.7%
Operating profit	1,129	12	240	+1,899.0%
Ordinary profit	1,043	(100)	129	N/A
Profit attributable to owners of parent	665	369	63	-82.8%

Gross profit breakdown

Investment Management business	32	44	9	-78.7%
Investment Banking business	1,690	589	739	+25.4%
Gross profit from sale	1,128	0	0	N/A
Gross profit from leasing	554	606	756	+24.7%
Other	7	(17)	(17)	N/A
Facility Operation business	(2)	14	81	+476.7%
Other business	16	9	0	N/A
Total gross profit	1,736	658	830	+26.2%

Selling, general and administrative expenses breakdown

Personnel expenses	305	359	315	-12.2%
Rent	48	44	42	-3.4%
Commission expenses / remuneration	124	120	70	-41.8%
Taxes and dues	41	10	9	-15.8%
Amortization of goodwill	21	28	28	± 0%
Other	66	82	123	+50.4%
Total selling, general and administrative expenses	607	646	590	-8.7%

Comments

- In Q1, gross profit grew 26.2% YoY, due to an increase in lease income from properties for lease as no properties were sold, and higher sales in the Facility Operation business
- From Q2 onward, we will work to sell or acquire properties, and in the Facility Operation business, continue developing attractive facilities

Company overview

Company name First Brothers Co., Ltd.

Stock code 3454 (TSE Standard Market)

Established February 4, 2004

Address Marunouchi Bldg., 25th Fl., 2-4-1 Marunouchi, Chiyoda-ku, Tokyo

Capital 100,000,000 yen

Number of staff 180 (as of February 29, 2024; consolidated group basis)

Major subsidiaries First Brothers Capital Co., Ltd.
First Brothers Asset Management Co., Ltd.
First Brothers Development Co., Ltd.
Higashinihon Fudosan Co., Ltd.
From First Hotels Co., Ltd.

Group's major businesses

Ownership and management of real estate for lease

Own and manage properties for lease expected to generate stable earnings over the medium to long term

Real estate asset management

Manage assets of institutional investors and invest in relatively large properties valued at several tens of billions of yen

Renewable energy

Develop and operate renewable energy, centered on geothermal power generation

Facility Operation (hospitality services)

Operate lodging facilities on our own

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